

VERMILION PARISH LIBRARY
Abbeville, Louisiana

Annual Financial Statements
As of and for the Year Ended December 31, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/3/11

VERMILION PARISH LIBRARY
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 Annual Financial Statements
 As of and for the Year Ended December 31, 2010

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INDEPENDENT AUDITOR'S REPORT

Board of Control
Vermilion Parish Library
Abbeville, Louisiana

I have audited the accompanying financial statements of the governmental activities and the general major fund information of the Vermilion Parish Library, a component unit of the Vermilion Parish Police Jury, as of December 31, 2010, which collectively comprises the Vermilion Parish Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Vermilion Parish Library's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

Management has not included the General Obligation Bonds Series 1999 Debt Service Fund or the related long-term bond debt in the Library's financial statements since as explained in Note 10 this fund and its related debt is managed by and reported in the financial statements of the Vermilion Parish Police Jury. Accounting principles generally accepted in the United States of America require the General Obligation Bonds Series 1999 Debt Service Fund to be presented as a major fund and the related long-term bond debt and financial information to be part of the governmental activities, thus increasing the activity's assets, liabilities, revenues, and expenses, and changing its net assets. The amount by which this departure would affect the assets, liabilities, net assets, revenues, and expenses of the governmental activities and the omitted major fund is not reasonably determinable.

In my opinion, because of the omission of the General Obligation Bonds Series 1999 Debt Service Fund, as discussed above, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities and the General Obligation Bonds Series 1999 Debt Service Fund and the related long-term bond debt of the Vermilion Parish Library, as of December 31, 2010, or the changes in financial position thereof for the year then ended.

In addition, in my opinion, except for the effects of not including the financial information for the General Obligation Bonds Series 1999 Debt Service Fund and the related long-term bond debt as part of the governmental activities, as described above, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the General Fund (major fund) information of the Vermilion Parish Library, as of December 31, 2010, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 17, 2011, on my consideration of Vermilion Parish Library's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The Vermilion Parish Library has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information on pages 23 to 24 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

Mike B. Gillespie, CPA, APAC

Jennings, Louisiana

June 17, 2011

BASIC FINANCIAL STATEMENTS

VERMILION PARISH LIBRARY
Governmental Funds Balance Sheet / Statement of Net Assets
December 31, 2010

Statement A

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Net Assets</u> |
|---|-------------------------|---------------------|------------------------------------|
| ASSETS | | | |
| Cash | \$ 638,787 | | 638,787 |
| Prepaid expenses | 60,966 | | 60,966 |
| Receivables: | | | |
| Due from other governments: | | | |
| Property taxes | 1,241,970 | | 1,241,970 |
| State revenue sharing | 93,832 | | 93,832 |
| Other receivable | 4,545 | | 4,545 |
| Capital assets, net of accumulated depreciation | - | 5,892,737 | 5,892,737 |
| Total Assets | <u>2,040,100</u> | <u>5,892,737</u> | <u>7,932,837</u> |
| LIABILITIES | | | |
| Accounts payable | 6,060 | | 6,060 |
| Payroll and related liabilities | 28,556 | | 28,556 |
| Accrued interest payable | - | 195 | 195 |
| Deferred revenues | 1,461,000 | - | 1,461,000 |
| Long-term liabilities | | | |
| Due within one year | - | 16,000 | 16,000 |
| Due in more than one year | - | 18,629 | 18,629 |
| Total Liabilities | <u>1,495,616</u> | <u>34,824</u> | <u>1,530,440</u> |
| FUND BALANCE / NET ASSETS | | | |
| Unreserved - undesignated | 544,484 | (544,484) | - |
| Total Fund Balance | <u>544,484</u> | <u>(544,484)</u> | <u>-</u> |
| Total Liabilities and Fund Balance | \$ <u>2,040,100</u> | | |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | | 5,876,737 | 5,876,737 |
| Unrestricted | | 525,660 | 525,660 |
| Total Net Assets | | <u>\$ 6,402,397</u> | <u>6,402,397</u> |

The accompanying notes are an integral part of this statement.

VERMILION PARISH LIBRARY
**Statement of Governmental Fund Revenues, Expenditures, and
Changes in Fund Balances / Statement of Activities
For the Year Ended December 31, 2010**
Statement B

| | General Fund | Adjustments | Statement of Activities |
|--|-------------------------|--------------------|------------------------------------|
| EXPENDITURES/ EXPENSES | | | |
| Current | | | |
| Culture and Recreation-Library Services: | | | |
| Salaries and related benefits | \$ 794,368 | 18,629 | 812,997 |
| Operating services | 373,267 | | 373,267 |
| Materials and supplies | 75,270 | | 75,270 |
| Library materials-non capital | 56,017 | | 56,017 |
| Travel and other charges | 9,061 | | 9,061 |
| Deduction from property taxes | 43,085 | | 43,085 |
| Intergovernmental expenses | 200 | | 200 |
| Other expenses | 1,678 | | 1,678 |
| Depreciation expense | - | 325,652 | 325,652 |
| Capital outlay | 158,512 | (158,512) | - |
| Debt services: | | | |
| Principal retirement | 15,000 | (15,000) | - |
| Interest expense | 849 | (182) | 667 |
| Bond issuance and other costs | 175 | | 175 |
| Total Expenditures / Expenses | <u>1,527,482</u> | <u>170,587</u> | <u>1,698,069</u> |
| PROGRAM REVENUES | | | |
| Charges for services | | | |
| Fees, fines and other charges for service | 35,234 | | 35,234 |
| Operating grants and contributions: | | | |
| State | 47,398 | | 47,398 |
| Other operating grants | 57,177 | | 57,177 |
| Gifts and donations | 5,629 | | 5,629 |
| Total Program Revenues | <u>145,438</u> | <u>-</u> | <u>145,438</u> |
| Net Program Expenses | | | <u>(1,552,631)</u> |
| GENERAL REVENUES | | | |
| Property taxes, levied for general purposes | 1,320,724 | | 1,320,724 |
| State revenue sharing | 136,393 | | 136,393 |
| Interest earnings | 2,827 | (14) | 2,813 |
| Miscellaneous | 21,226 | | 21,226 |
| Total General Revenues | <u>1,481,170</u> | <u>(14)</u> | <u>1,481,156</u> |
| EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES | 99,126 | (99,126) | - |
| CHANGE IN NET ASSETS | | (71,475) | (71,475) |
| FUND BALANCE / NET ASSETS: | | | |
| Beginning of the Year, as reported | 445,358 | 6,028,514 | 6,473,872 |
| End of the Year | <u>\$ 544,484</u> | <u>5,857,913</u> | <u>6,402,397</u> |

The accompanying notes are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

VERMILION PARISH LIBRARY

NOTES TO THE BASIC FINANCIAL STATEMENTS

INTRODUCTION

The Vermilion Parish Library (Library) was established by the parish governing authority under the provisions of Louisiana Revised Statute 25:211. The Library provides citizens of the parish access to library materials, books, magazines, records, and films. The Library is governed by a board of control that is appointed by the parish police jury in accordance with the provisions of Louisiana Revised Statute 25:214. The members of the board of control serve without pay. The Library operates through six facilities in Vermilion Parish. The main facility is in Abbeville, and others are located in Delcambre, Gueydan, Erath, Maurice, and Kaplan. The library has approximately 27 employees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying basic financial statements of the Library have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999.

B. REPORTING ENTITY

The Library does not possess all the corporate powers necessary to make it a legally separate entity from the Vermilion Parish Police Jury, which holds the library's corporate powers. For this reason, the Library is a component unit of the Vermilion Parish Police Jury, the financial reporting entity.

The accompanying financial statements present information only on the funds maintained by the Library and do not present information of the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. FUND ACCOUNTING

The Library uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Library functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts.

Governmental Funds

Governmental funds account for all or most of the Library's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations of the Library. The following are the Library's governmental funds:

VERMILION PARISH LIBRARY NOTES TO THE BASIC FINANCIAL STATEMENTS

General Fund – the primary operating fund of the Library and it accounts for all financial resources, except those required to be accounted for in other funds. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to Library policy.

D. MEASUREMENT FOCUS / BASIS OF ACCOUNTING

Fund Financial Statements (FFS)

The amounts reflected in the General Fund of Statements A and B are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenue, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of Library operations.

The amounts reflected in the General Fund of Statements A and B use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Library considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes and the related state revenue sharing (which is based on population and homesteads in the parish) are recognized as revenue in the period for which levied, thus the 2010 property taxes which are being levied to finance the 2010 budget will be recognized as revenue in 2011. The 2010 tax levy has been recorded as deferred revenue in the Library's 2010 financial statements. Charges for services are recorded when earned since they are measurable and available. Fines, forfeitures, and miscellaneous revenues are recorded as revenues when received in cash by the Library because they are generally not measurable until actually received. Grant revenues are recognized at the time the Library is entitled to the funds. Interest income represents amounts earned on deposits and investments with financial institutions. Interest earned is recorded when earned and available.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for vacation leave, which is recognized when paid. Allocations of cost such as depreciation are not recognized in the governmental funds.

Deferred Revenues

Deferred revenues relate primarily to property taxes and related state revenue sharing assessed in 2010, but levied to finance the Library's 2011 expenditures.

VERMILION PARISH LIBRARY
NOTES TO THE BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements (GWFS)

The column labeled Statement of Net Assets (Statement A) and the column labeled Statement of Activities (Statement B) display information about the Library as a whole. These statements include all the financial activities of the Library. Information contained in these columns reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Program Revenues – Program revenues included in the column labeled Statement of Activities (Statement B) are derived directly from Library users as a fee for services; program revenues reduce the cost of the function to be financed from the Library's general revenues.

Reconciliation

The reconciliation of the items reflected in the funds columns to the Statement of Activities (Statement B) and Statement of Net Assets (Statement A) are as follows:

Reconciliation of Total Governmental Fund Balance to Net Asset of Governmental Activities:

| | |
|---|------------|
| Total Ending Fund Balance – Governmental Fund | \$ 544,484 |
|---|------------|

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

| | | |
|--------------------------|--------------------|-----------|
| Cost of capital assets | \$ 10,050,150 | |
| Accumulated depreciation | <u>(4,157,413)</u> | 5,892,737 |

Accrued interest income receivable on investments that is not available within sixty days of year end is reported as deferred revenues in the governmental funds since not considered current financial resources.

-

Long term liabilities and associated accruals are not due and payable with current resources and therefore are not reported as liabilities in the governmental funds. Long term liabilities and associated accruals at year end consist of:

| | |
|---------------------------------------|----------|
| Certificates of indebtedness | (16,000) |
| Interest payable | (195) |
| Other post employment benefit payable | (18,629) |

| | |
|------------|---------------------|
| Net Assets | \$ <u>6,402,397</u> |
|------------|---------------------|

VERMILION PARISH LIBRARY
NOTES TO THE BASIC FINANCIAL STATEMENTS

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

| | | |
|---|----|--------|
| Total Net Change in Fund Balance – Governmental Funds | \$ | 99,126 |
|---|----|--------|

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

| | | | |
|--|----|----------------|-----------|
| Depreciation expense | \$ | (325,652) | |
| Capital outlays and other expenditures | | <u>158,512</u> | (167,140) |

Accrued interest income receivable on investments that is not available within sixty days of year end is reported as deferred revenues in the governmental funds since not considered current financial resources, but is income in the statement of activities regardless of when paid. (14)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 182

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the statement of activities, certain operating expenses such as post employment benefits are measured by the amounts earned during the year, however, in the governmental funds expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

| | | |
|--|--|----------|
| Debt repayments | | 15,000 |
| Change in other post employment benefit obligation | | (18,629) |

| | | |
|---|----|-----------------|
| Change in Net Assets of Governmental Activities | \$ | <u>(71,475)</u> |
|---|----|-----------------|

VERMILION PARISH LIBRARY
NOTES TO THE BASIC FINANCIAL STATEMENTS

E. INVESTMENTS

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955. The Library does not have a formal investment policy.

State statutes authorize the Library to invest in United States bonds, treasury notes and bills, or certificates or time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a non-profit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

When investments are present in the financial statements they are reflected at fair value except for the following which are permitted per GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*:

- 1) Investments in *nonparticipating* interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure. Interest-earning investment contracts include time deposits with financial institutions (such certificates of deposit), repurchase agreements, and guaranteed investment contracts.
- 2) Money-market investments and *participating* interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less are reported at amortized cost. Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

F. ACCOUNTS RECEIVABLE

The financial statements for the Library contain an allowance for uncollectible accounts of \$29,699. Uncollectible amounts for ad valorem taxes are estimated and recognized as bad debts based on historical trends and amounts for other receivables are recognized at the time information becomes available which would indicate the uncollectibility of the particular receivable.

G. CAPITAL ASSETS

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Government-wide Financial Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets, except the library collections, purchased or acquired with an original cost of \$1,000 or more are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. The library collection is valued at historical cost. Library collection items disposed of are accounted for at 100% of the average cost of the item. Additions, improvements and other capital outlays that significantly extend the useful

VERMILION PARISH LIBRARY

NOTES TO THE BASIC FINANCIAL STATEMENTS

life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

| | |
|-------------------------------------|-------------|
| Buildings and building improvements | 20-40 years |
| Furniture and fixtures | 5 years |
| Vehicles | 10 years |
| Library Collections | 6 years |

H. NON-CURRENT LIABILITIES

The accounting treatment of non-current liabilities depends on whether they are reported in the government-wide or fund financial statements.

Fund Financial Statements

Non-current liabilities for governmental funds are not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and the repayment of principle and interest is reported as expenditures.

Government-wide Financial Statements

All non-current liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

I. COMPENSATED ABSENCES

The Library has the following policy relating to vacation and sick leave:

Employees of the Library earn up to a maximum of two weeks of vacation leave per year and a maximum of 4 weeks of vacation per years after 15 years of service. Vacation leave cannot be carried over and must be used during the year, however, upon termination, employees are paid for any unused vacation leave accrued during the year.

Employees of the Library accrue one day of sick leave a month. A total of 130 days can be accumulated. Upon termination, employees are not paid for unused sick leave. Due to the uncertainty of actual amounts which will be paid for sick leave, no accruals have been made at December 31, 2010 for such absences.

J. FUND EQUITY

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved displayed as either designated or undesignated. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available

VERMILION PARISH LIBRARY

NOTES TO THE BASIC FINANCIAL STATEMENTS

for appropriations or are legally restricted by outside parties for use for a specific purpose. Any designations of fund balance represent tentative management plans that are subject to change.

Government-wide Financial Statements

Equity is classified as net assets and displayed in three components:

Invested in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets -- Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

When both restricted and unrestricted resources are available for use, it is the Library’s policy to use restricted resources first, then unrestricted resources as they are needed.

K. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reported period. Accordingly, actual results could differ from those estimates.

2. LEVIED TAXES

The following is a summary of authorized and levied property taxes:

| | Authorized Millage | Levied Millage | Expiration Date |
|-----------------|-----------------------|----------------|-----------------|
| Parish-wide tax | 4.36 | 4.36 | 2015 |

Property taxes are levied each November 1st on the assessed value listed as of the prior January 1st for all real property, merchandise and movable property located in the Parish. Assessed values are established by the Vermilion Parish Assessor’s Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. Taxes are due and payable December 31st with interest being charged on payments after January 1st. Taxes can be paid through the tax sale date which is usually in June. Properties for which taxes have not been paid are sold for the amount of the taxes. Taxes levied November 1, 2010 and the related state revenue sharing are intended by management to pay for budgeted expenditures in 2011 and therefore will be recognized as revenues in 2011. As of December 31, 2010, they are recorded as deferred revenues.

VERMILION PARISH LIBRARY
NOTES TO THE BASIC FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS

Bank Deposits

The year end balances of deposits are as follows:

| <u>Deposit Type</u> | <u>Bank Balances</u> | <u>Reported Amount</u> |
|-----------------------|--------------------------|----------------------------|
| Cash -demand deposits | \$ 668,978 | \$ 638,787 |
| Totals | \$ <u>668,978</u> | \$ <u>638,787</u> |

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank.

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library's deposit policy for custodial credit risk requires that all uninsured deposits must be secured with acceptable collateral as defined in LRS 38:1221 valued at market. As of December 31, 2010, the Library had deposits (collected bank balances) totaling \$604,780. Of these bank deposit balances, \$354,780 were exposed to custodial credit risk as follows: Uninsured and collateral held by pledging bank's agent not in the Library's name \$354,780.

Even though pledged securities are considered subject to custodial credit risk under the provisions of GASB Statement 40, *Deposits and Investment Risk Disclosures*, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Library that the fiscal agent has failed to pay deposited funds upon demand.

Investments

At December 31, 2010, the Library had the following investments and maturities:

| <u>Investment Type</u> | <u>Carrying Amount</u> | <u>Investment Maturities (in Years) Less Than 1</u> |
|--------------------------|----------------------------|---|
| Certificates of deposits | \$ - | \$ - |
| Totals | \$ <u>-</u> | \$ <u>-</u> |

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Library does not have a written investment policy, but does adhere to State laws regarding allowable investments.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library's deposit policy for custodial credit risk requires that all uninsured deposits must be secured with acceptable collateral as defined in LRS 38:1221 valued at market. As of December 31, 2010, the Library had deposits (collected bank balances) totaling \$0. Of these bank

VERMILION PARISH LIBRARY
NOTES TO THE BASIC FINANCIAL STATEMENTS

deposit balances, \$0 were exposed to custodial credit risk as follows: Uninsured and collateral held by pledging bank's agent not in the Library's name \$0.

A reconciliation of deposits and investments as shown on the Statement of Net Assets is as follows:

| | | |
|---------------------------------|----|----------------|
| Reported amount of cash on hand | \$ | - |
| Reported amount of deposits | | 638,787 |
| Reported amount of investments | | - |
| Total | \$ | <u>638,787</u> |

| | | |
|--|----|----------------|
| Classified in financial statements as: | | |
| Cash | \$ | 638,787 |
| Investments | | - |
| Total | \$ | <u>638,787</u> |

4. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in capital assets is a follows:

| | Balance Beginning | Additions | Dispositions/ Reclassifica- tions | Balance Ending |
|---|----------------------|------------------|---|-------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 323,000 | \$ - | \$ - | \$ 323,000 |
| Construction in progress | - | - | - | - |
| Total capital assets not being depreciated | <u>323,000</u> | <u>-</u> | <u>-</u> | <u>323,000</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 6,404,012 | - | - | 6,404,012 |
| Furniture and equipment | 125,986 | 9,278 | - | 135,264 |
| Vehicles | 193,994 | 16,334 | - | 210,328 |
| Library collections | 3,034,432 | 132,900 | (189,786) | 2,977,546 |
| Total capital assets being depreciated | <u>9,758,424</u> | <u>158,512</u> | <u>(189,786)</u> | <u>9,727,150</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 1,287,517 | 160,904 | - | 1,448,421 |
| Furniture and equipment | 82,987 | 14,389 | - | 97,376 |
| Vehicles | 64,618 | 20,634 | - | 85,252 |
| Library collections | 2,586,425 | 129,725 | (189,786) | 2,526,364 |
| Total accumulated depreciation | <u>4,021,547</u> | <u>325,652</u> | <u>(189,786)</u> | <u>4,157,413</u> |
| Total capital assets being depreciated, net | <u>5,736,877</u> | <u>(167,140)</u> | <u>-</u> | <u>5,569,737</u> |
| Capital assets, net | <u>\$ 6,059,877</u> | <u>(167,140)</u> | <u>-</u> | <u>5,892,737</u> |

VERMILION PARISH LIBRARY

NOTES TO THE BASIC FINANCIAL STATEMENTS

5. PENSION PLAN

Plan Description. Substantially all employees of the Library are members of the Parochial Employees' Retirement System of Louisiana (System), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Library are members of Plan A.

All permanent employees working at least 28 hours per week who are paid wholly or in part from parish funds and all elected parish officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only before January 1, 1980, the benefit is equal to one percent of final average salary plus \$24 for each year of supplemental-plan-only service earned before January 1, 1980. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The system issued an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (225) 928-1361.

Funding Policy. Under Plan A, members are required by state statute to contribute 9.50 percent of their annual covered salary and the Library is required to contribute at an actuarially determined rate. The current rate is 15.75 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contributions requirements of plan members and the Library are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Library's contributions to the System under Plan A for the year ending December 31, 2010, 2009 and, 2008 was \$62,135, \$52,192, \$53,953, equal to the required contributions for each year.

VERMILION PARISH LIBRARY
NOTES TO THE BASIC FINANCIAL STATEMENTS

6. LONG-TERM DEBT AND LIABILITIES

The long-term debt of the library consists of two certificates of indebtedness as follows:

\$62,000 of Series 2006 of the Parish of Vermilion, State of Louisiana Certificate of Indebtedness with Hancock Bank, dated May 1, 2006, for the purpose of improving Erath branch library, payable in semiannual installments of 13,139 including principal and interest, to March 1, 2011, interest at 4.14%, secured and payable from a pledge and dedication of the special property tax of 4.36 mills.

\$ 14,000

\$10,000 of Series 2006 of the Parish of Vermilion, State of Louisiana Certificate of Indebtedness with the Louisiana Public Facilities Authority, dated May 1, 2006, for the purpose of improving Erath branch library, payable in annual installments of \$2,000 of principle only, to March 1, 2011, interest at 0 %, secured and payable from a pledge and dedication of the special property tax of 4.36 mills.

Total Long-term Debt
Less current portion

| |
|-------------|
| 2,000 |
| 16,000 |
| (16,000) |
| <u>\$ -</u> |

The annual requirements to amortize all debts outstanding including interest are as follows:

| Year Ending December 31 | Principal | Interest | Total |
|-------------------------|------------------|------------|---------------|
| 2011 | 16,000 | 290 | 16,290 |
| Total | <u>\$ 16,000</u> | <u>290</u> | <u>16,290</u> |

The following is a summary of the long-term obligation transactions during the year:

| | Balance Beginning | Additions | Reductions | Balance Ending | Due Within One Year |
|--|----------------------|---------------|-----------------|-------------------|---------------------------|
| Notes payable | 31,000 | - | (15,000) | 16,000 | 16,000 |
| Other Post Employment Benefit Payable | - | 56,552 | (37,923) | 18,629 | - |
| Total long-term liabilities | <u>\$ 31,000</u> | <u>56,552</u> | <u>(52,923)</u> | <u>34,629</u> | <u>16,000</u> |

7. LITIGATION AND CLAIMS

During the course of normal operations the Library may be the defendant in lawsuits. Legal counsel has determined that potential liability to the Library cannot be determined or is covered by commercial insurance as of the issuance date of these financial statements. Accordingly, no provision for losses, exceeding available insurance coverage, has been recorded in the accompanying financial statements.

VERMILION PARISH LIBRARY **NOTES TO THE BASIC FINANCIAL STATEMENTS**

8. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Library carries commercial insurance to cover all of these risks except theft. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. POST EMPLOYMENT BENEFITS

Plan Description. The Vermilion Parish Library's medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement.

Employees are covered by the Parochial Employees' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 30 years of service at any age; age 55 and 25 years of service; age 60 and 10 years of service; or, age 65 and 7 years of service. For employees hired on and after January 1, 2007 retirement eligibility (D.R.O.P. entry) provisions are as follows: age 55 and 30 years of service; age 62 and 10 years of service; or, age 67 and 7 years of service. Complete plan provisions are included in the official plan documents.

Contribution Rates. Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

Fund Policy. Until 2010, the Vermilion Parish Library recognized the cost of providing post-employment medical benefits (the Vermilion Parish Library's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2010, the Vermilion Parish Library's portion of health care funding cost for retired employees totaled \$37,923.

Effective with the Fiscal Year beginning January 1, 2010, the Vermilion Parish Library implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions* (GASB 45).

Annual Required Contribution. The Vermilion Parish Library's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, closed amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The total ARC for the fiscal year beginning January 1, 2010 is \$56,552, as set forth below:

| | | Medical |
|------------------------------------|----|---------------|
| Normal Cost | \$ | 24,130 |
| 30-year UAL amortization amount | | 32,422 |
| Annual required contribution (ARC) | \$ | <u>56,552</u> |

VERMILION PARISH LIBRARY
NOTES TO THE BASIC FINANCIAL STATEMENTS

Net Post-employment Benefit Obligation (Asset). The table below shows the Vermilion Parish Library's Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending December 31, 2010:

| | |
|--|----------|
| | Medical |
| Beginning Net OPEB Obligation (Asset) 1/1/2010 | \$0 |
| Annual required contribution | +56,552 |
| Interest on Net OPEB Obligation (Asset) | -0 |
| ARC Adjustment | +0 |
| OPEB Cost | 56,552 |
| Contribution | 0 |
| Current year retiree premium | -37,923 |
| Change in Net OPEB Obligation | +18,629 |
| Ending Net OPEB Obligation (Asset) 12/31/2010 | \$18,629 |

The following table shows the Vermilion Parish Library's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability (asset):

| Post Employment Benefit | Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual Cost Contributed | Net OPEB Obligation (Asset) |
|--|--------------------------|-----------------------------|--|--|
| Medical | December 31, 2010 | \$56,552 | 67.06% | \$18,629 |

Funded Status and Funding Progress. In the fiscal year ending December 31, 2010, the Vermilion Parish Library made no contributions to its post employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of January 1, 2010, the first and most recent actuarial valuation, the Actuarial Accrued Liability (AAL) was \$560,669, which is defined as that portion, as determined by a particular actuarial cost method (the Vermilion Parish Library uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost. Since the plan was not funded in fiscal year 2010, the entire actuarial accrued liability of \$560,669 was unfunded.

| | |
|--|------------|
| | Medical |
| Actuarial Accrued Liability (AAL) | \$ 560,669 |
| Actuarial Value of Plan Assets | 0 |
| Unfunded Act. Accrued Liability (UAAL) | 560,669 |
| Funded Ratio (Act. Val. Assets/AAL) | 0% |
| Covered Payroll (active plan members) | \$394,930 |
| UAAL as a percentage of covered payroll | 142% |

**VERMILION PARISH LIBRARY
NOTES TO THE BASIC FINANCIAL STATEMENTS**

Actuarial Methods and Assumptions. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the Vermilion Parish Library and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the Vermilion Parish Library and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Vermilion Parish Library and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method. The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

Actuarial Value of Plan Assets. Since this is the first actuarial valuation, there are not any assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45 will be used.

Turnover Rate. An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 20%. The rates for each age are below:

| <u>Age</u> | <u>Percent Turnover</u> |
|------------|-------------------------|
| 18 - 25 | 35.0% |
| 26 - 40 | 25.0% |
| 41 - 54 | 20.0% |
| 55+ | 12.0% |

Post employment Benefit Plan Eligibility Requirements. Based on past experience, it has been assumed that entitlement to benefits will commence four years after eligibility to enter the D.R.O.P. The four years represents three years in the D.R.O.P. plus one additional year. Medical benefits are provided to employees upon actual retirement. Employees are covered by the Parochial Employees' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 30 years of service at any age; age 55 and 25 years of service; age 60 and 10 years of service; or, age 65 and 7 years of service. For employees hired on and after

**VERMILION PARISH LIBRARY
NOTES TO THE BASIC FINANCIAL STATEMENTS**

January 1, 2007 retirement eligibility (D.R.O.P. entry) provisions are as follows: age 55 and 30 years of service; age 62 and 10 years of service; or, age 67 and 7 years of service. Entitlement to benefits continue through Medicare to death.

Investment Return Assumption (Discount Rate). GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits. Since the ARC is not currently being funded and not expected to be funded in the near future, we have performed this valuation using a 4% annual investment return assumption.

Health Care Cost Trend Rate. The expected rate of increase in medical cost is based on projections performed by the Office of the Actuary at the Centers for Medicare & Medicaid Services as published in National Health Care Expenditures Projections: 2003 to 2013, Table 3: National Health Expenditures, Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, released in January, 2004 by the Health Care Financing Administration (www.cms.hhs.gov). "State and Local" rates for 2008 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5.0% for 2016 and later.

Mortality Rate. The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is a published mortality table which was designed to be used in determining the value of accrued benefits in defined benefit pension plans.

Method of Determining Value of Benefits. The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays 85% of the blended (active and retired) cost of the medical insurance for the retirees (not dependents) until Medicare eligibility at age 65. Since use of unblended rates is mandated by GASB 45, we have estimated the gross unblended rates prior to age 65 to be 130% of the gross blended active/retired rate. The applicable employer rate prior to age 65 is then the gross estimated unblended rate less the 15% of the blended rate paid by the retiree. The employer pays \$150 monthly for retiree medical after Medicare eligibility at age 65.

10. GENERAL OBLIGATION BONDS SERIES 1999

The accompanying financial statements do not include the General Obligation Bond Series 1999 Debt Service Fund or the related long-term bond debt. This debt service fund and its related debt is managed by and reported in the financial statements of the Vermilion Parish Police Jury. This debt was issued for the purpose of constructing, acquiring and improving public library buildings in the Parish, and acquiring the necessary land, equipment and furnishings. These bonds are financed by a dedication of proceeds of a property tax millage. These bonds were refunded April 1, 2005. The results of the refunding consisted of \$1,020,000 of bonds unfunded, of which payments are due in various amounts through 2010, with interest accruing at various rates, ranging from 4.75% to 6.50%; and \$3,810,000 of bonds refunded, of which are due in various annual amounts through 2019, with interest at various rates ranging from 3.00% to 4.00%.

REQUIRED SUPPLEMENTAL INFORMATION

VERMILION PARISH LIBRARY
GOVERNMENTAL FUND - GENERAL FUND
Budgetary Comparison Schedule
For the Year Ended December 31, 2010

Schedule 1

| | Budgeted Amounts | | Actual Amounts | Variance Final Budget Positive (Negative) |
|--|------------------------|--------------------|--------------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Fees, fines and other charges for services | \$ 19,200 | \$ 29,600 | \$ 35,234 | \$ 5,634 |
| Operating grants and contributions: | | | | |
| State | 8,500 | 13,656 | 47,398 | 33,742 |
| Police Jury | | | - | - |
| Other operating grants | 12,000 | 12,121 | 57,177 | 45,056 |
| Gifts and donations | 2,000 | 3,077 | 5,629 | 2,552 |
| Property taxes, levied for general purposes | 1,240,815 | 1,240,815 | 1,320,724 | 79,909 |
| State revenue sharing | 125,230 | 134,656 | 136,393 | 1,737 |
| Interest Earnings | 2,000 | 1,899 | 2,827 | 928 |
| Miscellaneous | 111,000 | 130,308 | 21,226 | (109,082) |
| Total Revenues | <u>1,520,745</u> | <u>1,566,132</u> | <u>1,626,608</u> | <u>60,476</u> |
| EXPENDITURES | | | | |
| Culture and recreation: | | | | |
| Salaries and related benefits | 954,000 | 970,806 | 794,368 | 176,438 |
| Operating services | 441,050 | 421,362 | 373,267 | 48,095 |
| Materials and supplies | 35,000 | 81,504 | 75,270 | 6,234 |
| Library materials | 55,000 | 55,504 | 56,017 | (513) |
| Travel and other charges | 21,500 | 21,500 | 9,061 | 12,439 |
| Deduction from ad valorem taxes | 68,714 | 46,697 | 43,085 | 3,612 |
| Intergovernmental expenses | 10,000 | 8,000 | 200 | 7,800 |
| Other expenses | 5,230 | 5,230 | 1,678 | 3,552 |
| Capital outlay | 171,000 | 205,777 | 158,512 | 47,265 |
| Debt services | | | | |
| Principle retirement | 15,000 | 15,000 | 15,000 | - |
| Interest | 1,500 | 1,500 | 849 | 651 |
| Bond issuance and other costs | 500 | 500 | 175 | 325 |
| Total Expenditures | <u>1,778,494</u> | <u>1,833,380</u> | <u>1,527,482</u> | <u>305,898</u> |
| EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES | (257,749) | (267,248) | 99,126 | 366,374 |
| FUND BALANCES BEGINNING OF YEAR | 267,249 | 267,248 | 445,385 | 178,137 |
| FUND BALANCES END OF YEAR | \$ <u>9,500</u> | \$ <u>-</u> | \$ <u>544,511</u> | \$ <u>544,511</u> |

The accompanying notes are an integral part of this statement.

VERMILION PARISH LIBRARY
Notes to Budgetary Comparison Schedule
For the Year Ended December 31, 2010

A. BUDGETARY PRACTICES

General Budget Practices The Vermilion Parish Library follows the following procedures in establishing budgetary data reported in the accompanying budgetary comparison schedule:

Pursuant to the Louisiana Government Budget Act (LSA-RS 39:1301-1314), the Vermilion Parish Library is required to adopt an annual budget no later than fifteen days prior to the beginning of each fiscal year.

Each year prior to December 15th, the Library's Director develops a proposed annual budget for the general fund. The budget includes proposed expenditures and the means of financing them. The proposed budget is advertised as available for public inspection at least 10 days prior to final adoption simultaneously with a notice of the date of public hearing. The public hearing is conducted during a board meeting in order to obtain public input. The budget is subsequently adopted by the Board through a formal budget resolution.

General fund appropriations (unexpended budget balances) lapse at end of fiscal year.

Encumbrance accounting, under which purchase orders are recorded in order to reserve that portion of the applicable appropriation, is not employed.

Formal budget integration (within the accounting records) is employed as a management control device. All budgets are controlled at the object level. Budget amounts included in the accompanying financial statements include the original budget and all subsequent amendments. All budget revisions are approved by the Board of Control.

Budget Basis of Accounting The governmental fund budgets are prepared on the modified accrual basis of accounting, a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Legally, the Library cannot budget total expenditures and other financing uses which would exceed total budgeted revenues and other financing sources including beginning fund balance. State statutes require the Library to amend the budget to prevent overall projected revenues, expenditures, or beginning fund balance from causing an adverse budget variance of five percent or more in an individual fund.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL MAJOR FUNDS

The following budgeted major funds had actual expenditures over budgeted expenditures for the fiscal year:

| <u>Fund</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Unfavorable Variance</u> |
|----------------|-------------------------|---------------|---------------------------------|
| Not applicable | \$ - | \$ - | \$ - |

Reason for unfavorable variance: Not applicable

**OTHER REPORTS REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS**

Board of Control
Vermilion Parish Library
Abbeville, Louisiana

I have audited the financial statements of the governmental activities and the major fund information of the Vermilion Parish Library (Library), a component unit of the Vermilion Parish Police Jury, as of and for the year ended December 31, 2010, which collectively comprises the Library's basic financial statements and have issued my report thereon dated June 17, 2011. An adverse opinion was issued on the financial governmental activities financial statements and the General Obligation Bonds Series 1999 Debt Service Fund major fund because the financial statements of the General Obligation Bonds Series 1999 Debt Service Fund, a major fund, and its related long-term bond debt were not included in the Library's financial statements and therefore were not audited in accordance with *Government Auditing Standards*. Except as discussed in the preceding sentence, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Library's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Library's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, I identified one deficiency in internal control over financial reporting that I consider to be material weakness and another deficiency that I consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2009-1 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2007-2 and 2010-1 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standard* and which is described in the accompanying Schedule of Findings and Responses as items 2009-2.

* * * * *

This report is intended for the information of the Library's Board of Control, management, others within the organization and the Louisiana Legislative Audit Advisory Council and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Mike E. Gillespie, CPA, APAC

Jennings, Louisiana

June 17, 2011

VERMILION PARISH LIBRARY
Abbeville, Louisiana
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an adverse opinion on the financial statements of the Vermilion Parish Library.
2. One control deficiency was disclosed during the audit of the financial statements and reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. One instance of noncompliance or other matters material to the financial statements of the Vermilion Parish Library, which would be required to be reported in accordance with Government Auditing Standards, was disclosed during the audit.
4. Since the Vermilion Parish Library did not require a Single Audit, a report on reportable conditions concerning internal control over major federal award programs was not applicable.
5. Since the Vermilion Parish Library did not require a Single Audit, an auditor's report on compliance for the major federal award programs was not applicable.
6. Since the Vermilion Parish Library did not require a Single Audit, a report of audit findings relative to the major federal award programs was not applicable.
7. A management letter was not issued.
8. The programs tested as major programs included:

| <u>CFDA No.</u> | <u>Program Name</u> |
|-----------------|---------------------|
| Not applicable | Not applicable |

9. The threshold used for distinguishing between Type A and B federal award programs was not applicable.
10. A statement as to whether the auditee qualified as a low-risk auditee under OMB Circular Q-133 was not applicable.

SECTION II – INTERNAL CONTROL AND COMPLIANCE FINDINGS

2007-2 Preparation of financial statements

Finding/ Criteria/ Specific Requirement: the Library does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in preparing its financial statements, including related notes. This finding first occurred in 2007.

Recommendation: N/A.

Management Response: Management believes that the present staff is fully competent to perform their assigned duties and has determined it is most cost effective to request that the auditor assist in drafting the financial statements and notes. Management will continue to review the drafted financial statements and notes prior to approving them and accepting responsibility for their content and presentation. Contact person: Ms. Charlotte Trosclair, Director.

VERMILION PARISH LIBRARY
Abbeville, Louisiana
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2010

2009-1 Reconciliation of Payroll Liabilities

Finding/ Criteria/ Specific Requirement: This is a prior year finding that has not been fully resolved. Review of payroll area indicated ending payroll liabilities are not being reconciled to the general ledger on a monthly basis. As a result overall net payroll liabilities (individually some liability amounts were understated and some were overstated however overall liabilities were overstated) and associated insurance expense accounts were understated by approximately \$38,489 at year end. This was caused primarily by miscoding of payments for retiree health insurance. The bookkeeper debited health insurance payable instead of retiree health insurance expense. In addition, during our review of this area a duplicate payment coded to insurance expense was discovered in the amount of \$17,341.40 for the June 2010 health insurance premium to Parish Government Risk Management Association. This duplicated payment caused expenses to be overstated by \$17,341.40.

Recommendation: Individual liability accounts should be reconciled at least monthly. In addition monthly insurance expense accounts should be compared to prior year and budget for reasonableness. Management may want to consider providing training to bookkeeping staff on proper method for reconciling these accounts on a monthly basis. Procedures should also include regular review of required optional insurance and other benefit payments for which the employee is responsible for versus what is actually being withheld from the employee's check. In addition management should consider having someone other than the bookkeeper periodically review detail payroll check computations for accuracy in addition to reviewing monthly general ledger and/or financials to determine that accurate reconciliations have been performed. Implementation of these procedures will help ensure reliability and accuracy of internally generated financial statements, employee payroll checks, and insurance vendor payments.

Management response: Management agrees with the finding and will work to implement suggested recommendation. Contact person: Ms. Charlotte Trosclair, Director.

2009-2 Noncompliance with Section 14 of Louisiana Constitution

Finding/ Criteria/ Specific Requirement: This is a prior finding that has not been fully resolved. Review of payroll check computations disclosed under withholding from selected employee checks for a portion of the AFLAC premiums paid on their behalf by the Library. The AFLAC premiums are 100% the responsibility of the employee and therefore the amounts paid to AFLAC each month by the Library on the employees behalf should equal the amounts withheld from the employees check each month. Based on review of this area it appears that the payroll clerk did not adjust the withholdings when the premiums changed. This resulted in approximately \$3,000 in under withholding from employee checks. In essence this resulted in net payroll check overpayments to employees which is not in compliance with Article VII Section 14 of the Louisiana Constitution. Article VII, Section 14 of the 1974 Louisiana Constitution prohibits governments from giving payments to employees such as advances or bonuses. As of the date of this report management has not isolated individual employee under-withholdings for 2009 and 2010. In addition, as of the date of this report, the Library has not been paid back for the under-withheld amounts.

Recommendation: Amounts owed to the Library for 2009 and 2010 under-withholding by each affected employee should be determined and paid back. For employees that no longer work with the Library management should with the approval of the board determine what appropriate course of action should be taken to ensure repayment of these amounts to the Library. In addition, management should implement procedures regarding isolation and monthly reconciliation of individual payroll liabilities similar to the recommendation detailed in Finding 2009-1.

VERMILION PARISH LIBRARY
Abbeville, Louisiana
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2010

Management response: Management agrees with the finding and will work to implement suggested recommendation. Contact person: Ms. Charlotte Trosclair, Director.

2010-1 Payment of Federal Unemployment Taxes

Finding/ Criteria/ Specific Requirement: Review of procedures in the payroll area discovered that Federal Unemployment Taxes (FUTA) are being paid annually to the U.S. Treasury along with IRS Form 940. Per page two of Form 940 instructions and Section 15 of IRS Publication 15 under special classes of employment "Government employment", Federal payroll tax laws exempt local government wages from Federal Unemployment Taxes. The payroll clerk has been filing Form 940 and paying in FUTA taxes annually. As a result the Library has overpaid FUTA taxes for 2010, 2009, and 2008 in the amount of \$2,020.47, \$1,801.28, and \$1,654.31, respectfully.

Recommendation: The payroll system should be configured to discontinue accruing FUTA taxes and the Library should discontinue filing Form 940 and paying in FUTA taxes. We recommend that a 2011 Form 940 , with a check in the box titled "final", be filed for 2011 with zeros and that a letter of explanation be attached to the final Form explaining the reason for the final return. In addition the Library should file IRS Form 843 Claim for Refund and Request for Abatement for all open years (2010, 2009, 2008) in order to have overpaid FUTA taxes refunded for 2010, 2009, and 2008. Total combined refund for those years should equal \$5,476.06.

Management response: Management agrees with the finding and will work to implement suggested recommendation. Contact person: Ms. Charlotte Trosclair, Director.

2010-2 Payroll System Deduction and Matching Computations

Finding/ Criteria/ Specific Requirement: Review of payroll system deduction and matching computations indicates that a variety of errors are occurring in the calculation of employee payroll checks. Federal and state labor laws and payroll tax laws contain numerous requirements that impact the computation of individual employee payroll checks. The following computation errors were noted during a review of deduction computations:

- 1) Social security and Medicare taxes are being withheld and matched on accumulated comp time pay and vacation pay for some employees that are exempt from either one or both taxes.
- 2) Retirement withholding and match does not appear to be being computed on accumulated comp time pay or vacation pay for those employees eligible for retirement.
- 3) It appears that some post-tax deductions for insurance are being treated as pre-tax by the payroll clerk.
- 4) A deduction labeled as "Adjustment Leave without pay" was implemented in an attempt to reduce gross pay for certain time not worked. However, instead of adjusting gross pay it merely reduced net pay. As a result, retirement, social security tax, and Medicare tax employee withholdings and employer matches were overstated. In addition, box one of Form W-2 was overstated for each employee that had this deduction.

Overall none of these errors appear to be quantitatively material to the financial statements. However they are considered noncompliance with Federal and State labor laws and payroll tax laws. Due to the sheer variety of errors it was not considered feasible by auditors to compute an overall error amount.

VERMILION PARISH LIBRARY
Abbeville, Louisiana
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2010

Recommendation: Management should consider obtaining outside assistance for review and correction of payroll system deduction computations. Consideration should be given to the three primary groups of employees: those completely exempt from social security and Medicare tax, those exempt only from social security, and those subject to both social security and Medicare taxes. Also someone with experience in pre-tax insurance plans should review all policies and plans used by the Library to determine which ones are actually pre-tax and which ones are post-tax. Payroll system configuration changes should be made and tested. Management should also correct all errors that occurred in 2010 as well as in any open years and issue corrected W-2s and quarterly and annual payroll reports.

Management response: Management agrees with the finding and will work to implement suggested recommendation. Contact person: Ms. Charlotte Trosclair, Director.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable.

SECTION III –MANAGEMENT LETTER

No written findings reported.

VERMILION PARISH LIBRARY
Abbeville, Louisiana
MANAGEMENT'S STATUS OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended December 31, 2010

SECTION I –INTERNAL CONTROL AND COMPLIANCE FINDINGS

Finding 2007-2 Preparation of financial statements

Recommendation: N/A.

Management Response: Management believes that the present staff is fully competent to perform their assigned duties and has determined it is most cost effective to request that the auditor assist in drafting the financial statements and notes. Management will continue to review the drafted financial statements and notes prior to approving them and accepting responsibility for their content and presentation. Contact person: Ms. Charlotte Trosclair, Director.

2009-1 Reconciliation of Payroll Liabilities

Recommendation: Payroll liabilities on the general ledger should be isolated into individual liability accounts and reconciled at least monthly. Management may want to consider providing training to bookkeeping staff on proper method for reconciling these accounts on a monthly basis. Procedures should also include regular review of required optional insurance and other benefit payments for which the employee is responsible for versus what is actually being withheld from the employee's check. In addition management should consider having someone other than the bookkeeper periodically review detail payroll check computations for accuracy in addition to reviewing monthly general ledger and/or financials to determine that accurate reconciliations have been performed. Implementation of these procedures will help ensure reliability and accuracy of internally generated financial statements and employee payroll checks.

Management response: This finding is considered partially resolved. Management is in the process of completing implementation of auditor's recommendation. Contact person: Ms. Charlotte Trosclair, Director.

2009-2 Noncompliance with Section 14 of Louisiana Constitution

Recommendation: Amounts owed to the Library by each affected employee should be determined and paid back. In addition, management should implement procedures regarding isolation and reconciliation of individual payroll liabilities similar to the recommendation detailed in Finding 2009-1.

Management response: This finding is considered partially resolved. Management is in the process of completing implementation of auditor's recommendation. Contact person: Ms. Charlotte Trosclair, Director.

2009-3 Financial Statement departure from GAAP, Other Post Employment Benefits

Recommendation: The Library should consider engaging a qualified professional to assist in preparing the necessary actuarial computations and footnote disclosures needed to implement GASB No. 45. Implementation of this recommendation would allow the Library to not only comply with State financial statement reporting requirements of LRS 24:514 but also allow management and the Board to gain a better understanding of the financial impact of providing post employment benefits.

Management response: This finding is considered fully resolved. Contact person: Ms. Charlotte Trosclair, Director.

VERMILION PARISH LIBRARY
Abbeville, Louisiana
MANAGEMENT'S STATUS OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended December 31, 2010

SECTION II –FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings reported.

SECTION III –MANAGEMENT LETTER

No written findings reported.

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THIS REPORT HAS BEEN PREPARED BY MANAGEMENT

VERMILION PARISH LIBRARY
Jennings, Louisiana
MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT
FINDINGS
For the Year Ended December 31, 2010

SECTION I –INTERNAL CONTROL AND COMPLIANCE FINDINGS

See management provided responses in the Schedule of Findings and Responses.

SECTION II –FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings reported.

SECTION III –MANAGEMENT LETTER

No written findings reported.

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THIS REPORT HAS BEEN PREPARED BY MANAGEMENT